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Your Health Insurance and the Tax Package

In the June special session, the Alabama Legislature passed Governor Bob Riley's \$1.2 billion tax package. State leadership faced a projected budget deficit for next year of \$700 million, a significant portion of which is related to the cost of health insurance benefits for active and retired state employees.

One proposed solution to the overburdened State budget is House Bill 9 (HB9). This bill requires active and retired employees to pay a share of their health insurance premium based on the average of what other state employees and retirees in the surrounding southeastern states pay.

How Are Our Neighbors Contributing?

One of the tools used by Governor Riley in proposing changes to the structure of premium benefits for State employees was the information contained in this table. A survey of the twelve southeastern state government plans for fiscal year 2002 yielded these premium comparisons. Seven states currently require that employees pay some portion of their individual coverage. Employees of the State of Alabama pay nothing for single coverage and their family coverage cost ranks in the bottom third of the entire region.

State	Note	Employee-Only				Family Coverage			
		Cost To Employee	Cost To Employer	Total Cost	Employee %	Cost To Employee	Cost To Employer	Total Cost	Employee %
Alabama		\$0.00	\$219.51	\$219.51	0.0%	\$164.00	\$390.40	\$554.40	29.6%
Florida		\$41.96	\$248.86	\$290.82	14.4%	\$150.98	\$508.88	\$659.86	22.9%
Georgia		\$49.38	\$305.65	\$355.03	13.9%	\$150.78	\$566.45	\$717.23	21.0%
Kentucky	1	\$0.00	\$269.44	\$269.44	0.0%	\$404.16	\$269.44	\$673.60	60.0%
Louisiana		\$123.12	\$228.64	\$351.76	35.0%	\$312.22	\$417.74	\$729.96	42.8%
Mississippi		\$0.00	\$219.00	\$219.00	0.0%	\$325.00	\$356.00	\$681.00	47.7%
North Carolina		\$0.00	\$244.38	\$244.38	0.0%	\$365.36	\$244.38	\$609.74	59.9%
South Carolina		\$50.46	\$218.41	\$268.87	18.8%	\$217.94	\$478.43	\$696.37	31.3%
Tennessee		\$73.82	\$295.28	\$369.10	20.0%	\$184.30	\$737.21	\$921.51	20.0%
Texas		\$0.00	\$306.61	\$306.61	0.0%	\$294.34	\$600.96	\$895.30	32.9%
Virginia		\$21.00	\$274.00	\$295.00	7.1%	\$240.00	\$557.00	\$797.00	30.1%
West Virginia	2	\$54.00	\$273.00	\$327.00	16.5%	\$109.00	\$549.00	\$658.00	16.6%
Southeast Average	3	\$37.61	\$262.12	\$299.73	12.5%	\$250.37	\$480.50	\$730.87	34.3%
Alabama Over/(Under)		(37.61)	(\$42.61)	(\$80.22)		(\$86.37)	(\$90.10)	(\$176.47)	
Percentage Difference		-100.0%	-16.3%	-26.8%		-34.5%	-18.8%	-24.1%	

1 Employee share varies based on region from \$0 to \$198.32 for employee-only coverage and \$404.16 to \$860.00 for family coverage. Survey selected the lowest cost plan.

2 Employee share varies based on plan selection and employee's salary. Survey selected the standard rate for the Preferred Provider Benefits Plan and a median salary range of \$42,001 to \$50,000.

3 Alabama not included in average.

Target Employee Contribution Percentage

Based on the Southeastern average, HB9 establishes a target employee contribution percentage for the six health insurance premium classes as follows:

	2002 Percentage	HB9
Active employee	0%	12.5%
Active employee with dependent coverage	29.6%	26%
Non Medicare retiree	32.9%	30%
Non Medicare retiree with dependent coverage	38.8%	32%
Medicare retiree	0%	20%
Medicare retiree with dependent coverage	23.2%	20%



As you can see, the target employee contribution percentages established in HB9 increase the employee share of the premium cost in two classifications (Active employee and Medicare retiree) and decreases the share in four classifications (Active employee with dependent coverage, Non Medicare retiree, Non Medicare retiree with dependent coverage and Medicare retiree with dependent coverage.).

Implementation of the Target Employee Contribution Percentage

HB9 will phase in the target employee contribution percentages over a number of years. Most importantly to you – your contribution percentage will only increase in years in which the legislature grants a cost of living increase. For instance, in 2005 if the legislature grants a 3% cost of living increase to active and retired employees, the contribution percentages for all classifications that have not

met the target contribution percentage will be increased by up to 3%.

The table below illustrates how this phase in process would work over a number of years for an active employee with individual coverage and an active employee with family coverage.

FY	Assumptions		Single				Family			
	COLA	Medical Inflation*	State Share	Employee Share	Total Cost	%	State Share	Employee Share	Total Cost	%
2002			\$220	\$ 0	\$220	0.0	\$390	\$164	\$ 554	29.6
2003		14.5%	\$252	\$ 0	\$252	0.0	\$470	\$164	\$ 634	25.9
2004		12.0%	\$282	\$ 0	\$282	0.0	\$546	\$164	\$ 710	23.1
2005	3.0%	12.0%	\$307	\$ 9	\$316	3.0	\$588	\$207	\$ 795	26.0
2006	3.0%	10.0%	\$327	\$ 21	\$348	6.0	\$647	\$228	\$ 875	26.0
2007	3.0%	10.0%	\$349	\$ 34	\$383	9.0	\$713	\$250	\$ 963	26.0
2008	3.0%	8.0%	\$364	\$ 50	\$414	12.0	\$770	\$270	\$1040	26.0
2009	3.0%	8.0%	\$391	\$ 56	\$447	12.5	\$831	\$292	\$1123	26.0

* Medical inflation estimates are based on current trends.

How Does This Affect Me?

The table below illustrates the possible effect of HB9 for various salary levels using the same cost assumptions as in the table on page 2. For instance, an employee making \$35,000 annually, who receives a 3% cost-of-living adjustment for the year 2005, would see his salary increased by \$1,050 to \$36,050. Since the health insurance premium is tied to this COLA, the employee's monthly premium would increase from \$0 to \$9 (\$316 x .03) for individual coverage and from \$164 to \$207 (\$796

x .26) for family coverage. The effect on annual income would be a net gain of \$950 for an employee with individual coverage (\$1,058 - \$108) and a net gain of \$534 for an employee with family coverage (\$1,050 - \$516). Note that there was no increase in the family coverage contribution percentage because the target contribution percentage of 26% had been met. The \$43 increase in the family coverage contribution was related strictly to medical inflation.

Beginning Annual Salary	2005			2006			2007			2008		
	Salary with 3% COLA	Single Coverage Cost to Employee	Family Coverage Cost to Employee	Salary with 3% COLA	Single Coverage Cost to Employee	Family Coverage Cost to Employee	Salary with 3% COLA	Single Coverage Cost to Employee	Family Coverage Cost to Employee	Salary with 3% COLA	Single Coverage Cost to Employee	Family Coverage Cost to Employee
\$20,000	\$20,600	\$9	\$207	\$21,218	\$21	\$228	\$21,855	\$34	\$250	\$22,511	\$50	\$270
\$25,000	\$25,750	\$9	\$207	\$26,523	\$21	\$228	\$27,318	\$34	\$250	\$28,138	\$50	\$270
\$30,000	\$30,900	\$9	\$207	\$31,827	\$21	\$228	\$32,782	\$34	\$250	\$33,765	\$50	\$270
\$35,000	\$36,050	\$9	\$207	\$37,132	\$21	\$228	\$38,245	\$34	\$250	\$39,393	\$50	\$270
\$40,000	\$41,200	\$9	\$207	\$42,436	\$21	\$228	\$43,709	\$34	\$250	\$45,020	\$50	\$270
\$45,000	\$46,350	\$9	\$207	\$47,741	\$21	\$228	\$49,173	\$34	\$250	\$50,648	\$50	\$270

SEIB Website...

... available 24/7 at www.seib.state.al.us
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Check us out when you need:

- Worksite Wellness Screening and Blood Pressure schedules
- HealthWatch24 newsletters on-line
- Instructions for accessing the 24-hour nurse line
- Maternity program information
- Links to Blue Cross Blue Shield for pharmacy benefits, Participating Pharmacies, covered maintenance drugs, Preferred and Non-Preferred drugs, and lists of Preferred Physicians and Preferred Dentists in Alabama
- A summary of your SEIB benefits or the latest Employee Health and Dental Plan handbook
- Complete details on eligibility and enrollment for active employees and retirees
- Listing of the Discount Vision Care Network providers

If you have coverage with the SEIB, you may now register on-line to receive free health information via e-mail. You will be asked to enter your contract number, home and work telephone numbers and e-mail address. You must have 128-bit encryption on your Web browser in order to receive this information.

Worksite Screenings Make A Vital Difference

"The Worksite Wellness Program recently conducted a screening at our Department. At that screening my blood sugar was high. The nurse encouraged me to make an appointment to see my doctor for further testing. I did go to see the doctor and was diagnosed as diabetic. This came as somewhat of a surprise to me, as I had not been aware of any symptoms. Furthermore, I had seen my doctor the previous November, for my yearly physical, and my blood sugar was fine at that time.

I want to thank the Insurance Board for making these screenings possible. If it had not been for the screening, my blood sugar level probably would not have been detected until I returned to my doctor in November for my years physical."

Margaret H. Cleveland
Department of Archives and History
Fall, 2002

Help for Lower Income Employees

HB9 provides some relief for employees below 200% of the Federal Poverty Level (FPL). Based on your family's income as a percentage of the FPL, the amount you will be required to pay toward your employee contribution of the health premium is as follows:

- Over 200% of the FPL – employee pays 100% of the employee contribution
- 151% to 200% of the FPL – employee pays 90% of the employee contribution
- 126% to 150% of the FPL – employee pays 70% of the employee contribution
- 100% to 125% of the FPL – employee pays 60% of the employee contribution
- less than 100% of the FPL – employee pays 50% of the employee contribution

The current federal poverty levels for various family sizes are as follows:

	Family Size	100% of FPL	125% of FPL	150% of FPL	200% of FPL
•	1 member	\$ 8,980	\$11,225	\$13,470	\$17,960
•	2 members	\$12,120	\$15,150	\$18,180	\$24,240
•	3 members	\$15,260	\$19,075	\$22,890	\$30,520
•	4 members	\$18,400	\$23,000	\$27,600	\$36,800
•	5 members	\$21,540	\$26,925	\$32,310	\$43,080
•	6 members	\$24,680	\$30,850	\$37,020	\$49,360
•	7 members	\$27,820	\$34,775	\$41,730	\$55,640
•	8 members	\$30,960	\$38,700	\$46,440	\$61,920

Coping With Change

Stress has more to do with how we react to a given event in our minds than by events or situations outside us. Not everyone who has high stress levels is heading for illness. This is because we all interpret and react to change (stress) differently.

Life events don't create our stress, our mind creates our stress.

If it's not easy for you to adjust to change ("good" or "bad"), try to limit the number of changes that occur at any one time. For most people, spreading life changes out over time is one of the best ways to prevent stress, accidents and illness.

When an unplanned change occurs (e.g., job loss), you can choose to overreact - or you can choose to take it in stride and "roll with the punches."

If it's impossible to fight or flee from a problem, consider flowing with it!

Sources: Journal of Psychosomatic Research, Vol. 43, No. 3 and Hope Publications.

Retirees with less than 25 Years of Service will Contribute more

Employees who retire after January 1, 2005 with less than 25 years of state service will be required to pay a greater portion of the total retiree cost. The additional amount will be determined by the following formula:

$$\frac{25 - \text{retiree's years of service}}{25} \times \text{State Contribution}$$

For example, assume that a 60-year-old employee retires after January 1, 2005 with 12 years of state service. At the time of his retirement, the monthly retiree cost is \$500. If the retiree had 25 years' of service, the State would have paid \$350 (70%) and the retiree would have paid \$150 (30%). Since the retiree has less than 25 years of service, he will pay a monthly premium of \$332 rather than \$150.

$$\frac{25 - 12}{25} \times \$350 = \$182 + \text{the employee contribution of } \$150 = \$332$$